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# Social inequality and inclusive growth in China: the significance of social policy in a new era<sup>1</sup>

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This article aims to explore and interpret the growing social inequality in China, in particular between urban and rural areas, and between ordinary people and the elite classes. It also attempts to explain the impact of social policy on reducing inequality in China, as well as its institutional constraints as the government strives to integrate the fragmented social security system. Finally, the author discusses how inclusive growth as a core guideline for building a harmonious society will affect the future development trajectory of China in the context of globalisation.

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## Introduction

After over 30 years of fast economic growth and drastic social changes, China has recently shifted to what is arguably a turbulent period of transformation, with a social security system that is still fragile, increasing income disparity and rampant corruption. In 2009, the financial crisis struck the global economy hard, with an apparent economic downturn occurring in both the US and Europe. However, the Chinese economy was fortunate to be protected by its immature financial system, the huge size of its foreign reserves and the great potential of its domestic market. More importantly, the Chinese government's giant 4 trillion yuan (\$586 billion) stimulus package is expected to boost economic growth after the global recession.

In 2010, China's economic growth rate remained at 10.4%. This has a clear impact on both government spending and infrastructure industries affected by the heated economy. Aware of the disastrous experience of economic recession and financial crisis in the history of western countries, the Chinese government has been very concerned not only about the fluctuations experienced by its exporting industries but also with its unemployment situation and social protection for those affected by these negative scenarios. The average GDP growth rate for 2011 was 9.3%. However, this rate is very likely to slow down to 8.5% in 2012 (Li, 2011). As 2011 was the beginning of the 'Twelfth Five-Year Plan', China is adopting a more balanced development trajectory composed of the stable maintenance of economic growth and the enhancement of social development. In political speeches and policy documents, both central and local Chinese government officials unanimously emphasise the significance of guaranteeing the people's livelihoods. In 2011, China prepared 4443.51 billion yuan of public expenditure – a growth rate of 31.4% compared to the previous year – to augment its spending on social security and

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**Key words**

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social welfare. In the first half of 2011, public expenditure was mainly spent on education (a growth rate of 27.8% compared to the previous year), social security and employment (+ 40.5%), general public services (+ 23.8%), healthcare services (+ 61.4%) and housing (+ 76.6%).

Taking note of the economic slowdown and financial crisis in Europe, Chinese leaders are convinced that sustainable economic growth is extremely significant for China in order to set up a solid structure of social protection. In addition, policy-makers have reached a wide-ranging consensus that social protection and social policy intervention are good for economic growth. Therefore, as the Chinese government is setting a social policy agenda and rebuilding its social security system at a critical moment, researchers must be ready to analyse China's changing social fabric and the newly emerging social policy responses and welfare reform within the party-state.

At the initial stage of social security reform in the 1990s, socialising social welfare and implementing social policy was considered as a response to mitigate the disruptive effects of the transition to a market economy (Wong, 1994). Some researchers provide an overall description and thorough discussion of the transformation of the welfare system from a socialist to a market economy by highlighting essential features of social welfare in the Chinese socio-economic and political context (Leung and Nann, 1994). Other studies concentrate on the significance of restructuring social welfare and introducing new reforms of the social security system for the further development of the market economy with a dual-track urban-rural institutional foundation (Seldon and You, 1997; Croll, 1999). However, social policy in China is still a relatively new area. Scant attention has been paid to the interface between social welfare reform and social policy change during the period of the market economy. With the progress of globalisation and the governance of the new leadership in the 21st century, China entered an era of social policy characterised by wide-ranging social security reform and welfare expansion after 2002 (Saich, 2004; Li and Piachaud, 2006). Thus, in recent years, there has been a growing interest in social welfare expansion and social policy changes in China as the country has been proceeding towards its goal of building a harmonious society (Chan et al, 2008; Schwarz and Shieh, 2009; Carrillo and Duckett, 2011).

This article aims to discuss the following questions. First, as a consequence of rapid transition, what is the main impact of inequality on social dimensions in China in the context of a market economy and globalisation? Second, what does 'inclusive growth' mean for China's social development in a new era? Third, what approach does social policy need to take to tackle emerging social problems in the process of building a harmonious society? The emphasis of the article is on the significance of the institutional foundations and contextualised dependence of China's social policy-making in addressing social inequality and injustice as 'new social risks' and in adapting itself to a globalised version of governance.

## **Inequality and its impact on social development strategies in transitional China**

China has had a stunning record of economic growth and poverty reduction since economic reform in the late 1970s. In 1978, 250 million people in the rural population lived below the national poverty line (100 yuan per head). With rapid economic growth and social transition, however, China has achieved impressive success in poverty reduction. According to the World Bank (2007), 600 million people in China moved out of poverty (one US dollar per day) and China's poverty rate dropped from 85 to 15% between 1981 and 2005. Poverty reduction is one of the key challenges in the process of economic reform and social development in China. In particular, the launch of the 8–7 Poverty Alleviation Plan (1994–2000), and the Development Oriented Poverty Alleviation Programme in Rural China (2001–10) have become a watershed of government-led action against poverty in the poor rural areas.

In addition, far-reaching economic reform has allowed most Chinese people to earn more income than before. Over the past few decades, per capita annual income in China has increased between 1978 and 2011 from 343.4 yuan to 21810 yuan in urban areas, and from 133.6 to 6977 yuan in rural areas. Even though China's rapid economic growth creates enormous wealth for the nation and apparently improves people's living standard, income disparity between rich and poor is jeopardising social stability. China today is confronting worse social inequality than it used to envisage was possible. After more than three decades of market economy reform and social transition, the income gap is widening and social mobility for those in poverty is becoming desperately difficult, while the wealth accumulation of the nation is eye-catching and prominent.

In Mao's socialist era, income distribution was basically equal and welfare was mainly provided through the employment-based work–unit system in urban areas, based on the principles of proletarian superiority and egalitarianism (Leung and Nann, 1994). Owing to the influence of the former Soviet Union's ideologies, China's social policy was almost absent, due to a denial of the existence of social problems. Collective-based work–unit welfare provision was created to benefit employees and their family members in urban areas, while commune-based welfare provision was provided to meet the basic needs of people in rural areas, who were largely more vulnerable. Thus, the welfare system embedded in the institutions of the planned economy was established based largely on permanent job tenure in the state-owned enterprises (SOEs) in urban areas, which was largely dismantled after market reform at the end of the 1990s.

As rural China took off first in terms of economic reform, through land reform and de-collectivisation in the late 1970s, farmers apparently improved their living standard by increasing their household income. Thus, income inequality between urban and rural residents initially did not grow, while welfare entitlements for urban employees were still generous in the 1980s (Davis, 1989). The reform of the ownership of SOEs, and the large-scale extension of market competition mechanisms

in production and consumption after the 1990s, however, have profoundly changed not only the welfare system but also the principle of equality in Chinese society. In Deng's era, the principle of efficiency, pragmatism and 'allowing a few people to get rich first' became a driving force for change in the methods of production, capital formation, the use of personal connections (*Guanxi*), officials' free-riding behaviour and private businessmen's incentives to deal with local government. With the progress of economic reform and urbanisation, however, inequality became a social trend in socialist China (Whyte, 1986). Currently the New Left and the neo-liberals in China are having a fierce debate about reform and its consequences. As Han and Whyte (2008) argue, however, the changing contours of equality and inequality between Mao's era and the reform era should be examined, because personal opportunity and earnings from jobs in a market economy matter more than in a planned economy.

Like other transitional economies, China has experienced growing inequality following its impressive economic growth. Table 1 indicates a trend of growing income inequality between the per capita income of urban and rural residents from 1990 to 2011. Although both rural and urban residents earn more than they did in the past, the income gap between them has widened. In 1990, average per capita annual net income for rural residents was 686.3 yuan and for urban residents was 1510.2 yuan – a ratio of 2.2. In 2007, this was 4140.4 yuan and 13785.8 yuan respectively – a ratio of 3.33. From 2010, the income gap between urban and rural areas began to decrease. In 2010, the ratio between urban and rural income fell slightly, to 3.23; and in 2011, this ratio continued to decrease to 3.13, although the income gap is still wide.

Another sign of economic inequality in China is its rising Gini coefficient, which is commonly used as a measure of income inequality in Western societies. In 2010, the Gini coefficient reached a warning level of 0.47, indicative of China's dilemma of achieving a balance between economic growth and equality (Chen, 2010). Over the past decades, the gap between rich and poor has reached an unacceptable level. Research shows that the income of the richest 10% of Chinese people was 23 times that of the bottom 10% in the country in 2007; in 1998, however, the gap was only 7.3 times (Li et al, 2007). The different factors affecting rising income disparity in China can be summarised as follows: the monopoly trades of state-controlled industries generating high income; an ineffective tax policy, allowing high-income people to evade tax in urban areas; the corruption of officials; and the unbelievably high incomes earned by senior executives in the SOEs.

Overall inequality in China has been dominated by the urban–rural income gap (see Table 1). As a society with a marked urban–rural divide and a heterogeneous geographic environment, socio-economic conditions and institutions, China is also characterised by a high degree of regional inequality. During the 1990s, regional inequality in the country grew. Researchers also emphasise that the institutional setting, policies and development strategy affect regional inequality (Kanbur and Zhang, 2002; Yang, 2002). The poverty reduction programme launched initially in the 1980s and beyond has played an important role in terms of reducing regional inequality, mainly as regards basic infrastructure. However, coastal–inland inequality

**Table 1: Gap between urban and rural per capita annual income in China (1990–2011)**

Year	Per capita rural annual net income (yuan)	Per capita urban annual net income (yuan)	Ratio between per capita urban annual net income and per capita rural annual net income
1990	686.3	1,510.2	2.20
1995	1,577.7	4,283.0	2.71
1996	1,926.1	4,838.9	2.51
1997	2,090.1	5,160.3	2.47
1998	2,162.0	5,425.1	2.51
2000	2,253.4	6,280.0	2.79
2001	2,366.4	6,859.6	2.90
2002	2,475.6	7,702.8	3.11
2003	2,622.2	8,472.2	3.23
2004	2,936.4	9,421.6	3.21
2005	3,254.9	10,493.0	3.22
2006	3,587.0	11,759.5	3.28
2007	4,140.4	13,785.8	3.33
2008	4,760.6	15,780.8	3.32
2009	5,153.2	17,174.7	3.33
2010	5,919.0	19,109.0	3.23
2011	6,977.0	21,810.0	3.13

Source: National Statistical Bureau of China (2012)

did not change substantially in terms of its social dimensions, especially in education and health, because elite universities and high-quality hospitals are concentrated mainly in the cities in the coastal and central parts of China. According to official statistics, in 2006 almost 80% of junior high school teachers had received four-year university education in urban areas, but only 40% of those in rural areas had done so. In the same year, educational expenditure in the eastern region was 452.477 billion yuan, whereas in the western region it was only 173.918 billion yuan (National Bureau of Statistics of China, 2011). Low pay, poor working conditions and lack of opportunities for future career development usually discourage university graduates from returning to the underdeveloped western regions in the country, which in its turn, in the longer term, influences the potential development of these regions. Thus, 'developing the western region' becomes a vital central policy in the country, implemented in a top-down way to initiate a series of economic and social programmes aiming to foster faster economic growth and create better infrastructure and other institutional foundations for sustainable development.

The phenomenon of growing inequality in China is widely recognised to be a consequence of unbalanced economic growth in the past decades, which highlights governmental concern in recent years to adjust the pattern and strategies of economic and social development. Therefore, a more inclusive and sustainable development

strategy in China is desirable when growing inequality becomes a force that threatens social stability and social harmony.

### **Inclusive growth and a new development strategy in a new era for China**

As noted above, as a society divided between the urban and the rural, China has been characterised by its regional income disparity and development gap for a long period. Fast economic growth for over 30 years greatly helped the country to reduce the number of impoverished people in rural areas. However, the process of industrialisation and consequent urbanisation has benefited urban residents much more than their rural counterparts. Compared to urban residents, farmers in the under-developed rural areas in China are usually left behind. As Chinese policy-makers were frequently disturbed by the issue of inequality in the rapid process of economic growth, the pattern of uneven and unbalanced socio-economic development was gradually recognised by the top leaders. In October 2003, 'the scientific concept of development' was promoted by President Hu Jintao as a central guideline for political, economic, social and cultural life in Chinese society. Following this idea, the Chinese government realised that it is a significant task to keep a balance between economic growth and social development. What is more important, economic growth is only meaningful if more people in the country can benefit from the process.

To close the gap between rich and poor, between urban and rural areas, and between economic growth and social welfare, is the new emphasis on socio-economic development planning in China. Since the 1990s, poverty and social exclusion in China were seen in the growing number of laid-off workers and insecure migrant workers (Li, 2006). To reflect on and critique the theoretical underpinning of growth and development in the context of globalisation and rapid social transition, researchers are keen to scrutinise the key term 'inclusive growth' which is advocated by many economists and international organisations. In a new era, China is expected to bridge the divide between economic development and social policy practice through the prism of inclusive growth.

As a leading economist, Justin Lin first comprehensively elaborated his ideas on the concept of inclusive growth in the context of Asia (Lin, 2004); later, more economists followed and framed their thoughts on the subject (Ali, 2007; Ali and Son, 2007; Habito, 2009). In the summer of 2008, a group of key Chinese scholars discussed development strategies, social welfare reform and poverty reduction approaches in the flagship journal the *Asian Development Review*, in which the concept of 'inclusive growth' was extensively explored (Lin et al, 2008; Zhuang, 2008; Tang, 2008; Lu and Feng, 2008). In September 2010, President Hu Jintao officially used the term 'inclusive growth' in his speech at the Asia-Pacific Economic Cooperation's Fifth Human Resource Minister-level Conference held in Beijing, which was then regarded as a starting point for the new policy agenda in China in the coming years of the Twelfth Five-Year Plan and beyond.

The report of the Fifth Plenum of the Seventeenth Central Committee of the Communist Party of China, issued in October 2010, states that both the Party and the government should put more emphasis on a human-oriented approach, social security, and improving people's livelihoods and promoting social justice. In Chinese political life, timing is significantly important for the leaders and policy-makers, because the year 2010 means the ending of the Eleventh Five-Year Plan and also marks the beginning of a new Five-Year Plan from 2011. In a socialist regime, the Five-Year Plan plays an overarching role in guiding the government and public servants in particular to implement a series of economic and social development projects under certain core principles. Within this plan, a top-down mechanism of policy implementation and a shared responsibility system (for example, a sharing mechanism for funding is a common practice in the social policy arena) are the two fundamental components.

Regarding the objective of promoting inclusive growth, China aims to reduce social inequality and improve governance through four strategies. First, it will put a priority on regionally coordinated and interactive development, initially emphasising the promotion of economic growth in the western region. Second, it will facilitate the equalisation of basic public services among urban and rural citizens in order to reduce regional inequalities in living standards by strengthening government's financial capacity to provide public goods. Third, it will raise residents' income by adjusting the distribution and redistribution of wealth and improving the economic status of the low-income class. Fourth, it will strengthen the role of social workers and adopt a contracting-out mechanism to involve non-governmental organisations (NGOs) in the delivery of social services. Thus, government, professional social workers and NGOs are to collaborate with one another to solve societal problems effectively. From a political perspective, rapid economic growth without equity and justice in contemporary Chinese society is against the fundamental principles of socialism, which would be likely to trigger severe pressure on the legitimacy of the ruling party in a new era.

To international and domestic observers, the term 'inclusive growth', used as a guiding principle of sustainable socio-economic development in China beyond its Tenth Five-Year Plan, highlights a new development strategy. The potential impact of this new development strategy on China's future will be multifaceted. As China strives to reduce income disparity and strengthen social equity by reforming its social security system and providing equitably distributed public services, the low-income class and vulnerable groups will benefit from this new development strategy. However, there is a challenge ahead: how will inclusive growth be applied in practice in a society besieged by social tensions and conflicts, in which fundamental political reform is still unpredictable? It is undoubtedly the case that the adoption of inclusive growth as political rhetoric will have an impact on social policy-making in China, especially when we consider the dominant role of the Communist Party in the decision-making process in terms of political, economic and social policies. Compared to other post-socialist societies (for example, Russia, Vietnam and countries in Eastern Europe) and newly emerging economies (for example, Brazil

and India), China's model of economic growth had been profoundly influenced by its persistent pathway of top-down implementation and arguably also the centralisation of the ruling party's monopoly. Therefore, achieving the goals of inclusive growth will require China not only to adapt in order to shift its development paradigm, but also to effectively implement social policies to reduce income inequality and improve people's livelihoods.

Reducing social inequality is becoming a focal point of China's social development strategy under new circumstances. Unlike the more traditional Western welfare states, China does not have a democratic model of wealth redistribution based on a workable taxation and income transfer system. In the advanced industrialised democracies, social inclusion and social policies are closely related to redistributive politics in the world of welfare capitalism (Esping-Andersen, 1990). Over the past decade, however, social policies in China were mainly put in place to secure economic growth and maintain social stability, particularly under a fluctuating open economy. Researchers state that redistributive politics in affluent democracies is influenced both by the structure of social inequality and by the government's capacity of functioning within the context of party politics (Lupu and Pontusson, 2011). In China, social policy progress in recent years shows that the government's main intention has been to increase social security spending and raise the benefit level of the Minimal Living Standard Scheme and basic pension programme for the sake of maintaining social stability. In a word, the political implication of inclusive growth as a policy guideline in China drives the government to keep alert in relation to the impact of rising social inequality on the social order and the outcome of improving the livelihoods of vulnerable groups in society in particular.

As a middle-income developing country, China has been troubled by its urban-rural divide and growing regional inequality for decades. In this country, more resources are available in urban areas than in rural areas. Consequently, the wide gap of education, health and other public services between the developed and under-developed regions also causes a 'brain drain' in the under-developed western regions because there are more opportunities and resources in the coastal areas and central metropolitan cities. Driven by economic stimulus policies, social welfare reform and the housing bubble after the global financial crisis, Chinese local government needs a balance between maintaining the pace of urbanisation and reducing rural poverty. One of the policy challenges facing the government is to increase the number of migrant workers who enrol in the social insurance scheme. The broader coverage of social security programmes in recent years reflects the positive impact of the inclusive growth strategy on social policy, as shown in Table 2.

As stated in the official report, the core element of inclusive growth in the Chinese context is to shift from a quantity-led growth model to a quality-focused growth model, with a serious commitment to sustainable development. However, the fixed term of office of local government leaders (usually five years) will put the successful and effective implementation of policies at risk. That is why it is common practice in China for local officials to be strongly inclined to aim for fast economic growth in order to impress the upper-level government officials. If labour protests, civil



**Table 2: The annual number of migrant workers participating in social insurance programmes (ten thousand)**

Year	Number participating in old age insurance	Number participating in medical care insurance	Number participating in unemployment insurance	Number participating in industrial accident insurance
2011	4,140	4,641	2,391	6,828
2010	3,284	4,583	1,990	6,300
2009	2,647	4,335	1,643	5,587
2008	2,416	4,266	1,549	4,942
2007	1,846	3,131	1,150	3,980

Source: National Statistical Bureau of China, 2012

resistance and middle-class people's dissatisfaction concerning local government's immoral practices and the fragile social security system continue, the goal of achieving social stability and social harmony will be jeopardised. In particular, Chinese citizens' aspirations have apparently been fuelled by the far-reaching influence of the internet as a powerhouse to generate citizen participation and to advocate for the idea of justice, while the government's habitual methods of responding to social issues are becoming unpopular. For the Chinese government to deal with rising social turbulence, its strength would lie not in tackling citizens' mounting anger and growing discontent with unlawful means, but instead in responding to the needs of people who are living in desperate circumstances.

The recent incident concerning citizens' environmental protection in Shifang, Sichuan Province can be regarded as a wake-up call for China to change its approach in terms of dealing with social problems at local level and addressing social tensions in a legitimate way. On 3 July 2012, thousands of residents in Shifang City, Sichuan Province in southwestern China protested against the local authority's plan to build a heavy metal processing plant, which resulted in conflicts between the police and protesters. Under mounting public pressure, the local authority has now been forced to abandon its plan. From many aspects, this incident provides a vivid example of the difficulty for local government in understanding the relationship between economic growth and social harmony. In China, citizens' growing discontent caused by income disparities and regional inequality is one of the thorniest problems, which requires the government from top to bottom to adopt social policy measures rather than oppressive strategies. Otherwise, the government's credibility will be tarnished as anticipated.

## **Social policy responses and China's search for a new international image**

China's rapid economic growth over the past 30 years has been accompanied by rising income disparity, mounting numbers of migrant workers, a rapid increase in the numbers of elderly people and a fragile social security system. The era of the Hu-Wen administration brought to the fore a new policy paradigm, which highlighted a series of changes and innovations in the field of social assistance and public health

after 2003. With the rapid progress of globalisation, the Chinese social welfare system has been transformed by a combination of cultural traditions, institutional legacies and dynamic social changes. The emergence of social policy in a new era as a tool of managing new social risks reflects the Chinese government's mentality of handling domestic social problems by adapting to meet both domestic and international demands (Xiong, 2009).

Compared to the initial stage of China's economic globalisation in the early 21st century, the government in recent years has increasingly been confronted by a series of newly emerging social risks, including increasing income disparity, intensifying conflicts between local government and citizens and declining trust between professionals and service users. In the context of globalisation, the Chinese government has been aware that it is important to strengthen its social security system in order to maintain stable economic growth and reduce new social risks, at a time when labour mobility is increasing rapidly and the private sector is more subject to the global economy as well as domestic demand.

After the global financial crisis in 2008, the Chinese government became more aware of the potential risks of a fragile social security system in an open society with a globalised economy. From previous experience of China's responses to the outbreak of the SARS epidemic in 2003, it can be inferred that social policy at that time was mainly implemented in terms of solving the immediate problem without consideration of the long term. In early 2011, the publishing of the Twelfth Five-Year Plan exhibits clearly new fundamental principles of social policy in China in a new era. Three key principles can briefly be summarised: first, securing a basic level of benefits; second, creating broader coverage of social insurance; and third, enhancing the sustainability of social benefit programmes. From 2011 to 2015 and beyond, China aims to establish an appropriate universal social welfare system, including extending a social protection scheme for all from the urban to the rural population, providing a universal basic health service for all citizens, augmenting peasant migrants' social security entitlements by breaking down urban-rural barriers, increasing the poverty line and raising the living standards of those in poverty, and building sound public finance mechanisms to deliver equitable public services.

After 20 years of policy implementation, China has now extended its Minimal Living Standard Scheme (MLSS) all over the country, to cover basic needs for all vulnerable people. In 2010, the total number of MLSS recipients was 74.87 million. Through providing free compulsory education for all children, in both urban and rural areas, the Chinese government has rapidly increased the enrolment rate for primary and elementary high school. The emphasis of this significant education policy now is to equalise resource distribution for schools between urban and rural areas and to strengthen the quality of educators. With the growing influx of migrant workers in the urban areas, many rural children have still not been able to access public schools equally – a persistent concern in terms of educational justice in recent decades.

The most impressive progress in the arena of social policy in China is the unveiling by the government of a far-reaching healthcare reform plan to spend 850 billion

RMB (USD 125 billion) during 2009–12 to overhaul its medical care system, aiming to establish a universal basic health service system by 2020. According to the healthcare plan, 46% of the fund will be allocated to health insurance programmes, 47% to healthcare provision, and 7% to public health. In terms of the health insurance programmes, the Chinese government will extend the New Rural Cooperative Medical System (NRCMS) to cover all farmers in rural areas by 2020. In 2010, 835 million farmers participated in the NRCMS. In addition, China has also built a basic pension scheme for elderly people in rural areas after years of policy experimentation. According to official statistics, by June 2011, the number of farmers participating in the New Rural Social Pension Insurance was 199 million. It is widely recognised that all these policy responses will strengthen China's social safety net and especially improve the livelihood of farmers. However, considering the overarching regional income disparity and a persistent urban–rural divide in the social security system, it will take time for China to create an integrated and universal social welfare system based on needs, equality, equity and justice.

## Conclusions

In the past few decades, China's economic growth was unprecedentedly successful. As a socialist country, however, China has experienced rising social inequality in the epoch of market-driven neo-liberalism and social transition. Given China's future unstable economic growth and still fragile social security system in a changeable socio-economic context, the issue of inequality and injustice will definitely be a warning of potential social unrest. This article has examined the rising social inequality in China in the past decade, analysed the advocacy of inclusive growth as a guiding principle of social development by the Chinese leadership, and finally discussed its impact on social policy responses in a new era. It has highlighted important dimensions of social inequality in this transitional society, suggesting that social policy development was adopted as a major plank of strategy in recent years. The article also explains Chinese leaders' understanding of inclusive growth and government practice in achieving the goal of balancing economic growth and social development.

The rising income disparity and regional development gap confronts China with great challenges to its stability and social harmony at the current time. To address the emerging issues of social inequality, social exclusion and social injustice, China needs to rethink and reframe its values and strategies of social protection and policy coherence in the context of globalisation and social transition. Although the Chinese government has achieved preliminary success in terms of implementing a wide range of social policy programmes in recent years, the *hukou* (household registration) system has segregated urban and rural residents and differentiated citizens' social security entitlements according to their locations of residence (Chan and Zhang, 1999). As more rural surplus labourers migrate to urban areas, the *hukou* system should be reformed to adapt to a modern, open market economy. At local level, the government has initiated change in the *hukou* system to protect migrant workers' social rights. Currently, however, it is impossible for the Chinese government to

abolish this system (Chan and Buckingham, 2008). The new agenda for China's social policy reflects the impact of a changing global economy and changing political and social climate on social dimensions. The future direction of social policy development and its strengths will be determined not only by economic growth but also by the political qualities and judgements of the leaders in terms of their capacities to deal with social problems affecting social (in)equality and (in)stability. In China, social policy-making and implementation have emphasised for a long time its political preferences in terms of centralised power and its ethos of legitimising socialist equality and maintaining social stability within the fabric of the Party-state. In the long run, such an institutional setting will have an unavoidable impact on the future trajectory of social development in China. Nevertheless, the logic of social policy – towards reducing social inequality, maintaining social order and enhancing social justice – will remain.

### Note

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